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STATISTICS OF INCOME

The volume entitled *Statistics of Income* was compiled under the direction of the Commissioner of Internal Revenue from the returns of individual and corporate incomes for 1916. Its publication marks a new epoch in American income statistics. It makes available for the first time an analysis of the personal and corporate incomes of the United States which answers a number of questions that economists, statisticians, and publicists have long been asking. How has the number of large incomes in the United States grown as compared with smaller incomes? What are the sources of individual incomes; what portion thereof consists of incomes from property and what portion from personal services? What part do dividends and the corporate form of organization play in the determination of individual incomes of large size? What of the relative incomes received by different occupations and businesses? All these questions concerning individual incomes are answered, so far as an answer is possible, from an analysis of the individual income tax returns for 1916.

For corporate incomes the report takes up again the thread which was dropped in 1914, and gives us once more the net income of corporations subdivided by industries. If the analysis in the *Statistics of Income* can be continued for a decade and gradually improved and amplified, the dark places of economics bid fair to receive much illumination.

Growth in Incomes Reported

The volume presents in comparative form the number of returns filed at various income ranges for the years 1914, 1915, and 1916. Table 1 below, prepared from the tabulation on page 15, shows the incidence of the European war upon personal incomes during the years previous to our entrance into the conflict. The percentages of increase of 1916 over 1914 are progressive, rising with each income class, and reaching a maximum of 255 per cent for incomes from \$400,000 to \$500,000. Clearly the rich grew richer as a result of the war.

Even these totals do not reveal the extent to which the war has played into the hands of the richer people in each community. When the states are divided into groups on the basis of the relative number of incomes which fall in the upper ranges, as is done in

TABLE 1.—NUMBER OF INCOME TAX RETURNS BY CLASSES, 1914-1916.

Incomes	Total number of returns			Percent- age of 1916 to 1914	Percent- age of 1916 to 1915
	1914	1915	1916		
\$3,000- \$4,000....	82,754	69,045	85,122	102.8	123.3
4,000- 5,000....	66,525	58,949	72,027	108.3	122.2
5,000- 10,000....	127,448	120,402	150,551	118.1	125.0
10,000- 15,000....	34,141	34,102	45,305	132.7	132.9
15,000- 20,000....	15,790	16,475	22,621	143.3	137.3
20,000- 25,000....	8,672	9,707	12,956	149.4	132.4
25,000- 30,000....	5,483	6,196	8,055	146.9	130.0
30,000- 40,000....	6,008	7,005	10,068	167.5	143.7
40,000- 50,000....	3,185	4,100	5,611	176.1	136.8
50,000- 100,000....	5,161	6,847	10,452	202.3	152.6
100,000- 150,000....	1,189	1,793	2,900	243.9	161.9
150,000- 200,000....	406	724	1,284	316.2	177.3
200,000- 250,000....	233	386	726	311.1	188.1
250,000- 300,000....	130	216	427	328.5	197.7
300,000- 400,000....	147	254	469	312.2	184.6
400,000- 500,000....	69	122	245	355.1	200.8
500,000-1,000,000....	114	209	376	329.8	179.9
1,000,000 and over....	60	120	206	343.3	171.7
Total.....	357,515	336,652	429,401	120.1	127.5

Table 2 (p. 504), the fact is revealed that the rate of increase for rich people in states which have practically no incomes above \$75,000 is quite as striking as it is for the state of New York. Group I¹ contains those states in which the incomes of few individuals exceed \$75,000. In Group II² there are few that exceed \$150,000. Group III³ consists of all the remaining states except New York, which is shown separately because of the large number of incomes in the higher ranges.

Table 3 shows the percentages of increase of 1916 over 1914 in each group.

¹ Group I—Alabama, Alaska, Arizona, Arkansas, Florida, Hawaii, Idaho, Kansas, Kentucky, Mississippi, Montana, Nevada, New Hampshire, New Mexico, North Dakota, Oregon, South Carolina, South Dakota, Utah, Wyoming.

² Group II—Colorado, District of Columbia, Georgia, Indiana, Iowa, Louisiana, Maine, Nebraska, North Carolina, Tennessee, Texas, Vermont, Virginia, Washington, West Virginia, Wisconsin.

³ Group III—California, Connecticut, Delaware, Illinois, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New Jersey, Ohio, Oklahoma, Pennsylvania, Rhode Island.

TABLE 2.—NUMBER OF INCOME TAX RETURNS AS REPORTED TO THE COMMISSIONER
OF INTERNAL REVENUE.
1914

Income class	Group I	Group II	Group III	New York
\$3,000- \$4,000.....	6,233	17,261	42,411	16,849
4,000- 5,000.....	4,741	12,460	34,712	14,612
5,000- 10,000.....	8,734	22,441	66,881	29,392
10,000- 15,000.....	2,125	5,585	17,711	8,720
15,000- 20,000.....	810	2,359	8,316	4,245
20,000- 25,000.....	414	1,152	4,644	2,462
25,000- 30,000.....	250	710	2,900	1,613
30,000- 40,000.....	233	700	3,239	1,836
40,000- 50,000.....	117	357	1,694	1,017
50,000- 75,000.....	103	340	2,001	1,216
75,000-100,000.....	50	135	816	500
100,000-150,000.....	19	99	645	426
150,000-200,000.....	6	22	220	158
200,000-250,000.....	4	18	112	99
250,000-300,000.....	1	17	47	65
300,000-400,000.....	1	6	74	66
400,000-500,000.....	1	9	32	27
500,000 and over....	0	7	65	102
Total.....	23,852	63,678	186,520	83,405

1916

\$3,000- \$4,000.....	6,976	19,192	43,920	15,034
4,000- 5,000.....	5,647	14,551	38,009	13,820
5,000- 10,000.....	11,560	28,083	80,025	39,895
10,000- 15,000.....	3,204	7,858	24,437	9,810
15,000- 20,000.....	1,492	3,530	12,178	5,418
20,000- 25,000.....	791	1,909	6,999	3,254
25,000- 30,000.....	446	1,104	4,327	2,178
30,000- 40,000.....	508	1,343	5,417	2,800
40,000- 50,000.....	264	621	3,052	1,674
50,000- 75,000.....	275	785	3,850	2,165
75,000-100,000.....	120	336	1,796	1,125
100,000-150,000.....	87	266	1,541	1,006
150,000-200,000.....	32	102	683	467
200,000-250,000.....	12	52	358	304
250,000-300,000.....	13	24	225	165
300,000-400,000.....	10	24	243	191
400,000-500,000.....	4	10	131	99
Over 500,000.....	3	26	250	306
Total.....	31,444	79,816	227,441	90,701

TABLE 3.—NUMBER OF INCOME TAX RETURNS PERCENTAGE OF 1916 TO 1914, BY CLASSES.

Income class	Group I	Group II	Group III	New York	Total
	(Per cent)	(Per cent)	(Per cent)	(Per cent)	(Per cent)
\$3,000- \$4,000	127	111	103	89	103
4,000- 5,000	119	116	109	95	108
5,000- 10,000	132	125	119	105	118
10,000- 15,000	150	140	138	112	133
15,000- 20,000	184	149	146	128	143
20,000- 25,000	191	165	151	132	149
25,000- 30,000	171	155	149	135	147
30,000- 40,000	218	192	167	152	168
40,000- 50,000	225	174	180	164	176
50,000- 75,000	267	231	192	178	202
75,000-100,000	240	249	220	225	244
100,000-150,000	457	268	239	260	244
150,000-200,000	533	463	310	295	316
200,000-250,000	300	288	319	307	311
250,000-300,000	1300	141	479	254	329
300,000-400,000	1000	400	328	290	312
400,000-500,000	400	111	409	366	355
500,000 and over	000	371	385	300	335
Average increase	133	126	122	109	122

This group table shows that the number of rich individuals in communities where the higher incomes are relatively small increased by even a larger percentage than in states like Pennsylvania, Massachusetts, and New York. Group I shows an increase in incomes above \$30,000 quite as marked as any of the other groups. In each group the relatively large incomes are the ones that have increased most rapidly in number.

The small increase in the number of lower incomes reported fails to represent the actual facts with respect to the growth of incomes of this class. Previous to 1917 the incomes of married persons, where these were between \$3,000 and \$4,000, were not subject to tax. Most people with small incomes soon discovered that the revenue agents seldom disturbed them when they failed to report. For incomes between \$4,000 and \$5,000 the portion above \$4,000 was subject to tax, but the amount was so small that it did not attract the attention of the Department of Internal Revenue. The danger of discovery was less for the incomes which were near the exemption point than for the higher incomes.

The *Annual Report of the Commissioner of Internal Revenue* for the fiscal year ended June 30, 1918, shows 697,055 incomes over \$3,000 reported for 1917. There is no doubt that the lowering of the exemption from \$4,000 to \$2,000 is the chief rea-

son for this increase, and that the largest per cent of growth in the number of incomes reported was in those that fall in the \$3,000 to \$4,000 class. The number of such incomes reported in 1917 was more than 200 per cent of 1916. This seems to indicate pretty clearly that there was a large amount of evasion and failure to report in 1916 for incomes between \$3,000 and \$5,000.

The comparison which has just been drawn is subject to one minor qualification. In the previous years the number of incomes reported included the total number of individuals making returns at each income range. When husbands and wives made separate returns in 1916, the net incomes reported by them were combined and included as one return in the class into which the combined income fell. There are 7,635 of these returns. If in 1914 the husband reported an income of \$90,000 and the wife reported separately an income of \$220,000, they were counted as two returns, the husband in the group \$50,000 to \$100,000, and the wife in the group \$200,000 to \$250,000. If their incomes remained the same in 1916, they were included as one return in the group \$300,000 to \$400,000. It is impossible to say to what extent this change in the method of compilation has served to increase the percentage of increase in the number of income returns in the higher ranges in 1916 over 1914. Probably it has had little effect. While in the case just assumed it would increase the number in the higher income ranges and reduce the number in the lower, it would have the opposite effect if both husband and wife had incomes of \$500,000 and over. In view of the small number of incomes involved, it is a safe guess that the relative increase in the different income ranges would not be modified in any important manner if the compilation had been made on the basis of previous years.

Sources of Individual Incomes

These data concerning the growth in the number of incomes have always been available in the annual reports of the Commissioner of Internal Revenue. Of more interest to the economist and statistician are the data contained in the analysis on page 32 of the volume, which shows the sources of the individual incomes reported. The total gross income reported amounted to \$8,349,901,983. The sources of this income are shown under the two headings of income from personal services and income from property. This conforms to the English classification of earned and

unearned income. The various sources and the income derived from each source are as follows:

Income from personal services:

Salaries, wages and commissions.....	\$1,478,346,372
Professions and vocations.....	368,141,539
Business, trade, commerce, and partnership gains and profits.....	2,642,263,385

Total income from personal service and business..... \$4,488,751,296

Per cent of gross income..... 53.76

Income from property:

Rents	\$601,919,604
Interest on notes, bonds, mortgages, etc.....	667,566,376
Fiduciaries	379,795,249
Royalties	41,883,053
Income from foreign sources.....	33,517,780
Dividends	2,136,468,625

Total income from property..... \$3,861,150,687

Per cent of gross income..... 46.24

Total gross income..... \$8,349,901,983

Less general deductions..... 2,051,324,363

Total net income..... \$6,298,577,620

The results of an analysis of these figures thrown into the form of percentages, are compactly presented in Table 4. The income derived from salaries and professions forms almost half of the incomes under \$5,000; if income received from state and local governments were not exempt, these incomes would form a still larger percentage of the total. For the person in these lower income ranges real estate seems to be the staple investment, as is shown by the proportion of the income received from rents. The percentage of income received as interest is surprisingly small, and is the most nearly uniform throughout the income ranges. This table understates the amount of interest received because of the exemption of interest on state and municipal bonds. Business gains and profits is the column which, as it stands, is least dependable, for of the \$2,051,324,363 of general deductions, the major portion consists of the expenses of carrying on the business which yields these incomes. Most striking of all is the portion of the various incomes which consists of dividends. It is clearly evident that the profits of business enterprises are the source of large incomes and of large property accumulation. There is here abundant evidence too of the extent to which the more profitable and extensive business enterprises have become organized under the corporate form. Out of a total of \$8,349,901,983 of gross income reported, dividends make up a total of \$2,136,468,625 or 25.6 per cent.

TABLE 4.—SOURCES OF GROSS INCOME BY CLASSES.

Income class (In thousands)	Income from personal services, salaries, etc., and professions	Rents	Fiduciaries, royalties, and income from foreign securities	Interest on notes, bonds, mortgages, etc.	Business, trade, commerce, partnership gains and profits	Dividends	Total gross income
	(Per cent)	(Per cent)	(Per cent)	(Per cent)	(Per cent)	(Per cent)	(Per cent)
\$3- \$4	47.8	14.0	1.5	7.6	24.0	5.1	100
4- 5	46.0	11.9	2.6	7.4	29.4	2.8	100
5- 10	36.4	10.5	3.1	8.0	32.6	9.5	100
10- 20	25.8	8.6	5.2	8.4	32.5	19.5	100
20- 40	18.8	6.3	6.0	8.6	31.8	28.5	100
40- 60	13.8	5.5	6.9	8.6	31.6	33.6	100
60- 80	12.8	4.3	6.3	8.2	33.3	35.1	100
80- 100	10.7	4.8	7.6	7.8	31.4	37.7	100
100- 150	11.1	3.4	7.7	8.0	33.0	36.8	100
150- 200	7.6	3.2	8.7	7.8	33.2	39.5	100
200- 250	7.9	3.3	7.6	7.9	33.7	39.6	100
250- 300	6.6	3.1	9.3	7.2	30.5	43.3	100
300- 500	5.5	2.9	9.2	7.0	36.3	39.1	100
500-1,000	4.4	2.9	10.3	7.5	30.6	44.3	100
1,000-1,500	4.1	3.8	6.5	8.5	33.0	44.1	100
1,500-2,000	2.8	9.3	5.3	6.6	28.3	47.6	100
2,000 and over	0.5	1.9	3.2	6.9	28.1	59.4	100
Total	22.1	7.2	5.4	8.0	31.7	25.6	100.0

Table 5, given below, shows the percentage of dividends to net income at each income range. They constitute 34 per cent of the total net income of \$6,298,577,620.

TABLE 5.—NET INCOME REPORTED IN 1916 AND PER CENT CONSISTING OF DIVIDENDS.

Income class	Net income	Dividends	Per cent dividends to net income
			(Per cent)
\$3,000- \$4,000	\$301,624,728	\$24,587,123	8.2
4,000- 5,000	323,044,287	13,453,587	4.2
5,000- 10,000	1,037,247,977	144,286,827	13.9
10,000- 20,000	944,118,211	260,083,061	27.5
20,000- 40,000	862,081,972	321,060,222	37.2
40,000- 60,000	450,266,493	189,683,943	42.1
60,000- 80,000	300,086,344	133,595,894	44.5
80,000- 100,000	223,919,898	105,115,248	46.9
100,000- 150,000	357,355,318	158,826,168	44.4
150,000- 200,000	223,550,085	108,031,135	48.3
200,000- 250,000	163,779,134	75,720,234	46.2
250,000- 300,000	118,530,187	60,813,345	51.3
300,000- 500,000	271,938,017	127,339,717	46.8
500,000-1,000,000	256,771,325	136,169,725	53.0
1,000,000-1,500,000	117,319,821	60,707,271	51.7
1,500,000-2,000,000	71,465,199	38,906,751	54.4
2,000,000 and over	275,478,624	178,088,374	64.6
Total.....	\$6,298,577,620	\$2,136,468,625	33.9

The figures of dividends reported in 1916 throw some light upon the distribution of corporate securities. In another place I have estimated the corporate dividends paid in this year at \$3,784,000,000.⁴ Fifty-six per cent of all dividends are therefore paid to people with taxable incomes of \$3,000 and over. In using this statement for general statistical purposes it must be borne in mind that certain personal incomes amounting to more than \$3,000 are not reported to the Commissioner of Internal Revenue, and are therefore not included here. If the salaries of employees of state and municipal governments, which are exempt, were reported, it would undoubtedly bring within the income tax law a considerable number of incomes from property which are received by these state employees but which are not large enough in themselves to bring them under the law. Thus if an individual has income from rents, interest, and dividends of \$2,000 and receives a salary of \$3,500 from a state university or normal school, his entire income is omitted from the figures as here presented. A qualification of similar nature applies to the incomes received from interest. Not only are the incomes of state employees omitted, but the interest received from state, municipal, and other government bonds, except certain portions of the last four liberty loans, are also omitted. The total amount of interest received by those having incomes over \$3,000 is relatively less than the portion of the total dividends of the country which goes to them. I estimate that the interest paid by corporations alone during 1916 was \$1,700,000,000. The total amount reported by people with incomes of \$3,000 and over is \$667,566,376. We do not know how much of this interest comes from sources other than corporate securities, such as real estate mortgages, but after making some reasonable allowance for these it seems pretty evident that not more than 30 to 35 per cent of the interest-bearing obligations of corporations are held by persons having incomes of \$3,000 who reported to the Department of Internal Revenue in 1916.

It is evident that in forecasting the taxable net income for legislative and administrative bodies, dividend payments are the most important single factor in the computation of the surtax. For incomes of \$20,000 and over they form more than 60 per cent of the net income.

If all salaries and interest were subject to the income tax law, people with incomes of \$3,000 or over would be found to receive a

⁴*The War and the Supply of Capital*, AMERICAN ECONOMIC REVIEW, Supplement, 1919, page 87.

larger part of the corporate dividends paid. An examination of Table 4 discloses the fact that the percentage of incomes consisting of interest and dividends is larger for incomes between \$3,000 and \$4,000 than for those between \$4,000 and \$5,000. This is probably due to this other fact of the omission of certain salaries from the income tax returns, which salaries either fall into the \$3,000-\$4,000 range or else if added to the other income received by the taxpayer would bring his total income into the higher class.

Occupational Distribution of Incomes

Statistics of Income presents also an analysis of the distribution of incomes by occupations. The occupational classifications employed, together with the number of returns and the average income in each occupation are shown in Table 6. The volume contains a similar analysis for each state in the union, and for Hawaii and Alaska.

The incomes for each occupation are shown by income ranges for the country as a whole but not by states. Table 7 shows the number of returns in each occupation at the various income ranges.

The value of both these analyses is considerably lessened by the fact that the table showing the incomes for different professions does not show the amount of income derived from the practice of that profession or the pursuit of that business, but includes the entire income received by all persons reporting themselves as belonging to those professions and businesses. Thus, one accountant has an income between \$250,000 and \$300,000. This does not necessarily mean that he earned any such amount from the practice of the accounting profession, but that this individual, who calls himself an accountant, receives from all sources a combined income of that amount. According to this method of analysis there were eleven clergymen in 1916 who received incomes of over \$50,000 and fifty-two teachers, (from kindergarten to university) who received incomes of over \$25,000. The analysis is somewhat defective, therefore, as a guide to the relative profitableness of various professions. The distribution between the various income ranges reported by each occupation in table 6-C (pp. 126-137) is lessened in value by the fact that a married person making a separate return is counted in the income range in which the combined income of husband and wife falls. For example, the col-

TABLE 6.—NUMBER OF RETURNS AND AVERAGE INCOME BY OCCUPATIONS.

Ocupations	Number of returns	Average net income
Accounting professions: accountants, statisticians, acturaries, etc.	4,229	\$6,132
Architects	1,419	9,655
Artists: painters, sculptors, etc.....	786	9,735
Authors, editors, reporters, etc.....	2,529	9,520
Clergymen	1,671	6,504
Engineers: civil, mining, etc.....	6,628	9,553
Lawyers and judges.....	21,273	11,524
Medical profession: physicians, surgeons, oculists, dentists, nurses and others.....	20,348	7,051
Public service: civil.....	2,992	6,827
Public service: military.....	5,459	5,306
Theatrical profession: actors, singers, musicians, etc.	914	12,176
Teachers: from kindergarten to university; also school and college officials.....	2,919	6,627
All other professions and occupations.....	2,913	9,556
Professions and occupations not stated.....	7,350	9,830
Total, professions	81,430	8,741
Agriculturists: farmers, stock raisers, orchardists, etc.	14,407	8,999
Bankers	6,518	31,754
Real estate brokers: agents and salesmen.....	6,146	11,757
Stock and bond brokers.....	2,839	41,009
Insurance brokers	1,414	12,959
Brokers: all other.....	7,479	24,409
Capitalists: investors and speculators.....	85,465	19,648
Commercial travelers	12,274	6,049
Corporation officials: secretaries, managers, cashiers, presidents, etc.	53,060	13,521
Employees, all other: superintendents, foremen, office employees, etc.	38,388	6,649
Hotel proprietors and restauranteurs.....	2,752	10,369
Insurance agents and solicitors.....	7,243	8,083
Labor, skilled and unskilled.....	2,304	6,989
Lumbermen	1,319	13,882
Manufacturers	23,631	24,938
Merchants and dealers: storekeepers, jobbers, com- mission merchants, etc.....	54,363	15,387
Mine owners and mine operators.....	2,554	45,140
Saloon keepers	1,311	7,137
Sportsmen and turfmen.....	245	8,097
Theatrical business: owners, managers, etc.....	811	15,296
All other business.....	18,605	12,446
Business not stated.....	12,478	17,439
Total, businesses	356,606	15,715
Total	437,036	14,412

lege professor who has a salary of \$3,500 per year which constitutes his sole income, and whose wife receives an income of \$98,000 a year, is counted as one in the group \$100,000 to \$150,000. If the wife reports herself as a capitalist, she counts as one in the group \$100,000 to \$150,000 under the occupation "capitalist." As a result we have one "Employee" shown in the \$4,000,000 to \$5,000,000 income class. The combined incomes of this "employee" and those of two others who fall in the \$200,000 to \$250,000 class amounts to only \$409,458. It lessens the value of the table materially for purposes of judging of the maximum incomes of professions.

Corporate Statistics

Corporate incomes have been reported to the Commissioner of Internal Revenue since 1909. From 1909 to 1913 the income, indebtedness, and capital stock are reported in five classes: financial, public service, industrial, mercantile, and miscellaneous. For 1914 and 1915 the only data given is the total tax paid during these years. In 1916 the *Statistics of Income* once more reports net income according to industries. The corporations are divided into eight general groups, and are subdivided into 105 sub-groups. The general classifications employed are shown in the first column below; in the second column the groups are combined into those used in reporting the net income of corporations for the years 1909 to 1913.

1916 classification		Old classification	
Class	Net income	Class	Net income
Banks	\$400,599,580	Financial	\$528,505,811
Insurance companies.....	127,906,231		
Public utilities.....	1,541,076,130	Public service..	1,541,076,130
Extraction of minerals.....	798,883,349		
Manufacturing and mechanical	4,157,625,900	Industrial	4,956,509,249
Merchandising	464,875,807		
Agriculture and animal husbandry.....	69,862,431	Miscellaneous ..	1,274,941,987
Miscellaneous	1,205,079,556		
Total	\$8,765,908,984		\$8,765,908,984

The statistics for corporations showing no net income were compiled for the first time in 1916. Out of a total of 341,253 corporations reporting there were 134,269 with no net income; the deductions allowed under the law exceeded the gross income of these corporations by \$656,904,411.

When the corporations showing net income are combined into the classes used in reporting from 1909 to 1913 they compare with those of previous years as follows:

TABLE 8.—NET INCOME OF ALL CORPORATIONS IN THE UNITED STATES 1909 TO 1913, AND 1916 (000 OMITTED).

Class	1909	1910	1911	1912	1913	1916
Financial	\$394,748	\$440,529	\$457,092	\$481,622	\$438,747	\$528,506
Public service.	808,960	843,855	806,324	930,388	1,003,186	1,541,076
Industrial	1,325,807	1,436,061	1,309,819	1,670,334	2,026,884	4,956,509
Mercantile	359,755	385,305	363,306	423,012	473,202	464,876
Miscellaneous . .	236,211	254,501	277,165	326,795	397,532	1,274,942
Total	\$3,125,481	\$3,360,251	\$3,213,706	\$3,832,151	\$4,339,551	\$8,765,909

Per cent of current year to 1909, 100.0 107.5 102.8 122.6 138.8 280.5

When the statistics of corporate income which were published in the reports of the Commissioner of Internal Revenue in former years are brought together and compared with those for 1916, as in Table 8 above, it illuminates the course of profits previous to the war, and shows the effect of the European war upon them. The profits of public service corporations, including railroads, increased approximately 25 per cent from 1909 to 1913, while industrial profits increased more than 50 per cent. The year 1916 shows a marked increase in all industries—public service corporations increasing by 50 per cent and industrial profits by 150 per cent. The enormous increase in profits of miscellaneous corporations shown by the table is due to the change in the make-up of the miscellaneous group. Many corporations which were included in the industrial group in the reports from 1909 to 1913 are thrown into the miscellaneous group in the 1916 classification. But for this shift in the content of the groups, the increase in industrial profits would be still larger.

Similar comparisons for capitalization and indebtedness are not possible because the *Statistics of Income* gives no data, either for capital stock outstanding or for bonded and other indebtedness. Both capital stock and bonded and other indebtedness were shown for the years 1909 to 1913 in the annual reports of the Commissioner of Internal Revenue, and if they were presented for 1916 would be an important aid in the solution of many problems in corporate finance, investment, and capital accumulation. It would be desirable also to have the interest payments of corpora-

tions shown separate from the other deductions. Perhaps we may hope for both these things in a similar volume to be compiled from the returns of 1917.

One of the most desirable features of the analysis of corporate incomes is the subdivision of industries into 105 classes. If this analysis is continued on the same basis for several years, that portion of our economic knowledge which deals with the problem of profits will be much illuminated. It is certainly a dark chapter in our economic literature today. This material, together with the data for price movements which have been made available by studies carried on by the War Industries Board and the War Trade Board under the direction of Wesley C. Mitchell, will form a fund of source material which bids fair to keep those who choose to work in the field of profits busy for some years.

Incidentally the statistics of corporate income should throw light upon the relative importance of some of the problems which are engaging the public mind, particularly that of government ownership. The total net income of all telephone, telegraph, and radio companies in the United States in 1916 was \$118,005,630; that of automobile manufacturers was \$203,673,484. Iron and steel products yielded net income of \$1,129,416,965, while oil, gas, and salt wells yielded \$236,795,209. These three industrial groups reported more net income than all railroads and public utilities combined. The fact may be of interest to bankers and investors as well.

The analyses which have been here presented are by no means intended to be exhaustive, but are simply illustrative of the uses to which the material contained in this volume can be put. It is altogether the most important contribution to the statistics of income which has yet appeared in this country.

Subsequent to the appearance of the *Statistics of Income*, the Senate published a volume (Document No. 259) prepared by the Bureau of Internal Revenue of the Treasury Department, entitled *Corporate Earnings and Government Revenues*. It was prepared in response to Senate Resolution No. 253 calling for "a list of all corporations with the amount of their earnings which have earned in excess of fifteen per centum on their capital stock, as shown by their returns to the Internal Revenue Bureau for the calendar year 1917, accompanied by such statement as will show net earnings of the same corporations for the calendar year 1916." The volume contains the information called for as obtained from

the income and excess profits returns of 31,500 out of a total of approximately 55,000 corporations in the United States, which in the calendar year 1917, earned 15 per cent or more on their capital stock. The corporations are classified under more than 250 heads; for each corporation the following information is given for the year 1917:

Capital stock
 Invested capital
 Net income
 Income tax, excess profits tax, and total tax
 Per cent of total tax to net income
 Net income after deducting tax
 Per cent of net income to capital stock
 Per cent of net income to invested capital
 Per cent of net income after tax to capital stock
 Per cent of net income after tax to invested capital.

For the year 1916 only capital stock, net income, and the per cent of net income to capital stock, are given.

The volume contains a wealth of information and can be unreservedly recommended to any one who is looking for source material on industrial profits in war time. As the material stands, however, it permits of few significant generalizations, as the figures

TABLE 9.—CAPITAL STOCK AND INVESTED CAPITAL OF 4,352 MANUFACTURING CORPORATIONS HAVING INVESTED CAPITAL OF \$100,000 AND OVER.

(Data from "Corporate Earnings and Government Revenue," pp. 73-196)

Class	Number of corporations	Capital stock	Invested capital	Per cent invested capital to capital stock
				(Per cent)
Iron and steel.....	917	\$291,032,875	\$485,844,921	167
Metals and metallurgical industries	83	21,946,405	53,353,156	242
Mining, coal	234	91,297,923	140,589,661	154
Textile industries	620	206,013,425	334,741,127	162
Chemicals and allied industries	234	82,500,347	126,517,192	153
Special manufacturing industries	309	111,538,123	164,127,652	147
Stone, clay, and glass industries	174	31,950,425	69,949,287	219
Paper, printing, etc.....	408	99,338,312	199,973,311	201
Leather manufacturers.....	155	43,890,153	81,470,960	185
Food preparations	528	112,464,236	194,450,308	173
Timbering and woodworking industries	690	133,282,858	345,745,983	260
Total	4,352	\$1,225,255,082	\$2,196,763,558	179

for the different groups are not even totaled. The writer has totaled the net income for 1917, the taxes for 1917, and the net income for 1916 of over 20,000 of these corporations. The results show that upon the whole these corporations had as much net income in 1917 after paying the heavy excess profits and income taxes as they had in 1916.

Significant results are assured any one who has the time and energy to work this mine of material. In support of this statement the writer submits Table 9, which was compiled for the purpose of testing the popular belief in watered stock.

If the Internal Revenue Bureau continues to turn out statistical material comparable in quality and quantity with that of the last year, it will aid in bringing about a realization of our hopes for a statistical economics.

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